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Oilseeds and Products

EU Rapeseed Crop Reaches Record Levels as Biofuels Market Boost Demand

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Report Highlights:
Despite a lower per hectare rapeseed harvest this year, the EU sees a record harvest crop in 2005. This is caused by an increased area planted with rapeseed, a trend that seems to continue also in 2006.

The high demand for oil for the production of biodiesel is keeping the price for rapeseed oil high in the EU, above the world market prices. Favorable crush margins make crushers shift from soybeans to rapeseed.

Includes PSD Changes: No
Includes Trade Matrix: No
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In 2005, the EU-25 has recorded its largest rapeseed harvest ever. According to numbers from Eurostat the harvest reached 15.5 million tons. This represents 28 percent increase on the average for the last five years.

The increase was mainly due to a rise in the area sown. However, according to Oilworld there is also a clear trend in Europe towards higher yielding hybrid varieties of rapeseed and sunflower. Moreover, many European farmers are expected to grow more oilseeds after the sugar reform. Under the sugar reform, 900,000 ha of sugar beet in the EU should disappear. The greater part of the area is expected to be planted with cereals, but also some of it with oilseeds.

In 2005, there were 4.8 million hectares planted with rapeseed across the EU-25, this represents 6 percent more than in 2004, and a 14 percent increase in the average area over the last five years. Germany and France, the two biggest producers, increased their area planted with rapeseed by 11 and 9.9 percent respectively. There are also reports that the trend of increased planted rapeseed area continues in Germany. The area planted with winter rape, the most important rapeseed in Germany, has increased by 5.8 percent this season compared to last season. (See GAIN GM6006). FAS Stockholm reports that the area under winter rapeseed in Sweden 2005/2006 has increased by 40 percent to 50,000 hectares. FAS Paris reports a winter rapeseed increase of 8 percent to 1.3 million hectares to be harvested in 2006. FAS Warsaw reports that the winter rapeseed planting in Poland is about the same as last year, around 0.5 million hectares.

The largest increase in area was seen in Latvia and the Netherlands. They both had a substantial year on year increase of 228 percent and 138 percent respectively. The largest yield per hectare was reported from Belgium reaching 4.1 tons per hectare. 1.1 tons per hectare was the lowest average yield. This was reported from Spain, and was caused by the severe summer drought in the area. The average EU rapeseed yields in 2005 reached 2.7 tons per hectare. This is down by 19.8 percent from the record harvests of 2004 but up 4.2 percent on the five-year average.

The rising demand for biodiesel is forecast to keep the price for rape oil constant or even give it a boost. Forecasts see EU demand in 2006 between 6 and 7 million tons. At the same time, prices for rapeseed are weaker. The growing price differential is the result of a bottleneck. The production capacity of the oil mills is limited, so rapeseed oil demand exceeds supply, despite excess of rapeseed. The higher demand for rapeseed oil is also linked partly to the slower than expected world growth in palm oil production.

The strong demand for rapeseed oil and sun oil has created very favorable crush margins and the crushing industry in the EU is reported to be shifting from soybean to rapeseed. The high crushing of rapeseed is expected to lead to lower meal prices, something that would the benefit the rapeseed over the soybean since it has higher oil content. The sharp decline in the EU soybean crushings is expected to continue with quite important consequences on trade flows. The EU has become a growing importer of soyoil, mainly from South America, as well as of soya meal.

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